

**Council on Postsecondary Education
September 16, 2001**

Executive Summary

4. Are we preparing Kentuckians for life and work?
5. Are Kentucky's communities and economy benefiting?

There are no action items pertaining to these questions.

The Kentucky Science and Technology Corporation issued the request for proposals September 4 for three of the four Kentucky Innovation Act programs for which the council has policy responsibility: the Research and Development Fund, the Commercialization Fund, and the Rural Innovation Fund. The KSTC expects to make awards to successful applicants by December 15, 2001. The RFP for the fourth program, the Regional Technology Corporations, will be issued this fall and will come to the council in November. The council staff is reviewing the draft of the entrepreneurial audit conducted by the KSTC as part of the Kentucky Innovation Act, with the final audit report scheduled for release October 15, 2001.

Memoranda of understanding have been signed to provide for joint engineering programs under the statewide engineering strategy. The agreements are between Murray State University, Western Kentucky University, the University of Louisville, and the University of Kentucky, and the council. Under terms previously approved by the council, UK and UofL agree to use funds equivalent to the interest allocated to them from the Research Challenge Trust Fund and

Murray and Western will use their allocated interest income from the Regional University Trust Fund for the engineering programs. The council will match the amounts from its Technology Trust Fund. The staff will recommend to the council that funding be requested for these programs in 2002-04. The joint programs being offered are mechanical engineering by WKU and UK, civil engineering by WKU and UK, electrical engineering by WKU and UofL, and electrical and telecommunications engineering by MuSU and UofL.

The subcommittee to review endowment match guidelines met August 13 and reviewed current program guidelines and reporting procedures. The subcommittee discussed several issues, including donor anonymity, council oversight, the purpose of endowments, and pledge payment schedules. The group will meet again September 6.

Chairman Whitehead has appointed a council subcommittee of John Hall, Ron Greenberg, Joan Taylor, and Richard Freed to consider what "quality" means in postsecondary education and how it should be measured. The group will have its first meeting September 17 after the trusteeship conference. They will be joined by Dr. Margaret Miller, professor at the University of Virginia and president emerita of the American Association of Higher Education.

At the July meeting, the council heard about a proposal to transfer ownership of Diddle Arena from Western Kentucky University to the City of Bowling Green. Chairman Charles Whitehead asked members Charlie Owen, Walter Baker, and Steve Barger to review this proposal in greater detail.

The project has changed a great deal. Now WKU will retain ownership of Diddle Arena, the City of Bowling Green will issue bond anticipation notes for its renovation, and WKU will retire the debt with a \$80 per semester special student fee.

At the direction of the council committee, I supported the project in testimony before the Capital Projects and Bond Oversight Committee August 21. I also recommended that we work with the Finance and Administration Cabinet, the Office of the Attorney General, the Governor's Office for Policy and Management, and the State Auditor to develop a procedure for handling unusual capital outlay financing proposals involving public colleges and universities. The Capital Projects and Bond Oversight Committee asked that I report to it at its October meeting and I agreed to do so.

As a final note to this report, I recently had a very instructive visit to Mississippi. Early in August, I was asked by Dr. Thomas Layzell, Commissioner of the Board of Trustees of the State Institutions of Higher Learning, to meet with the board as it attempts to deal with "mission creep" among its institutions. Mississippi has eight public universities, as does Kentucky. Four of them are designated as research universities. In a state with fewer people than Kentucky, there appears to be no way to support the infrastructure required by four research institutions. The board and at least some university presidents fear that there will be a general degradation of all universities as a result.

I mention this under the performance questions having to do with the personal, social, and economic outcomes of postsecondary education because we can achieve them only by focusing our finite resources. Just as we do not need, and cannot afford, more institutions designated as research universities, we also cannot afford to purchase political equilibrium by allocating resources regardless of need, justification, and opportunity. Politics may be the art of balance but equilibrium and "mission creep" are the enemies of reform.

ADDENDUM TO THE EXECUTIVE SUMMARY

REPORT ON DIDDLE ARENA

(see page 82)

As the agenda book was being printed, I received a call from Kevin Flanery, secretary of the Finance and Administration Cabinet, about the Diddle Arena project. Secretary Flanery informed me that the scope of the project had changed to include placing turf on the football field and constructing a pedestrian walkway; that a provision had been added obligating the university to use other athletic program funds for debt service if the student fee should prove insufficient; and that a provision had been inserted giving the city the right to seek judicial confirmation that the deal is legal.

On the basis of these changes, which are in the most recent deal document – delivered to the council staff September 5 – Secretary Flanery stated that the Finance Cabinet will withhold approval of the deal at this time.

The council staff has learned that, effective in 2002, WKU has decided to eliminate all mandatory student fees and to fold them into a single tuition rate. Thus, the \$80 per semester fee identified to retire the debt service on Diddle Arena will cease to be an identifiable, dedicated source of revenue. As of 2002, public revenue – a combination of state general fund plus tuition and other funds appropriated to the university – will be used to retire the debt on the Diddle Arena project.

The matter thus remains unresolved.